

Virgin Australia Holdings Limited (ASX: VAH) Trading Update for First Quarter Ending 30 September 2015

First Quarter Virgin Australia Group Financial Summary – For the period 1 July to 30 September 2015¹

- Underlying Profit Before Tax of \$8.5 million, an improvement of \$53.5 million on Q1 FY15
- Statutory Profit After Tax of \$1.7 million, an improvement of \$60.7 million on Q1 FY15
- Positive Group Yield growth and strong Domestic Yield growth on Q1 FY15
- Underlying Group CASK excluding fuel and foreign exchange declined on Q1 FY15

5 November 2015: Virgin Australia Holdings Limited (Virgin Australia Group) today reported an Underlying Profit Before Tax of \$8.5 million for the first quarter of the 2016 financial year, representing a \$53.5 million improvement over the prior corresponding period. Taking into account 100 per cent of Tigerair Australia Pty Limited (Tigerair Australia) performance on a like-for-like basis, this represents an improvement of \$73.3 million over the prior corresponding period.

The Statutory Profit After Tax for the first quarter of the 2016 financial year was \$1.7 million, an improvement of \$60.7 million on the prior corresponding period.

First quarter Group Yield and Domestic Yield for the Group continued to increase compared to the first quarter of financial year 2015.

The Group incurred restructuring and transaction costs, share of equity accounted losses and an ineffective hedging impact of \$9.1 million.

Underlying Group CASK excluding fuel and foreign exchange continued to decline on the prior corresponding period.

Virgin Australia Group CEO John Borghetti said: “The Group has achieved a significant turnaround in financial performance for the first quarter of the 2016 financial year. This result reflects our continued success in driving Revenue per Available Seat Kilometre and yield growth, while controlling costs. Tigerair Australia has further improved performance, delivering its first profit for the September quarter.”

“Based on current market conditions, the Virgin Australia Group is on track to return to profitability for the 2016 financial year and report a Return on Invested Capital in line with its cost of capital”, Mr Borghetti said.

Tigerair Australia

Tigerair Australia recorded Earnings Before Interest and Tax (EBIT) of \$0.4 million for the first quarter, an improvement of \$20.2 million on a standalone basis compared with the prior corresponding period. This result was driven by significant improvements in unit revenues and cost efficiencies.

¹ All financial information contained in this release has not been audited or reviewed. For definitions, refer to page 3.

24-hour media enquiries: 1800 142 467

VIRGIN AUSTRALIA GROUP PRELIMINARY QUARTERLY OPERATING STATISTICS
 For the period 1 July 2015 – 30 September 2015

		Q1 FY16 Operating Statistics		
		Q1 FY16	Q1 FY15	Change
VA DOMESTIC	Revenue Passengers	4,283,239	4,472,957	(4.2%)
	Revenue Passenger Kilometres (millions)	5,099	5,302	(3.8%)
	Available Seats	5,755,033	5,866,708	(1.9%)
	Available Seat Kilometres (millions)	6,823	6,870	(0.7%)
	Revenue Load Factor	74.7%	77.2%	(2.5 pts)

VA INTERNATIONAL	Revenue Passengers	706,120	730,755	(3.4%)
	Available Seats	866,131	902,819	(4.1%)
	Available Seat Kilometres (millions)	3,942	4,117	(4.3%)
	Revenue Load Factor	84.8%	83.1%	1.7 pts

TIGERAIR DOMESTIC	Revenue Passengers	965,159	900,561	7.2%
	Revenue Passenger Kilometres (millions)	1,177	1,127	4.4%
	Available Seat Kilometres (millions)	1,374	1,250	9.9%
	Revenue Load Factor	85.6%	90.2%	(4.6 pts)

TOTAL VA GROUP NETWORK	Revenue Passengers	5,954,518	6,104,273	(2.5%)
	Available Seat Kilometres (millions)	12,139	12,237	(0.8%)
	Revenue Load Factor	79.2%	80.5%	(1.3 pts)

Notes:

- (1) Quarterly operating statistics are issued on a preliminary basis and are subject to change. Any adjustments made will flow through to the year to date results.
- (2) RPKs means number of paying passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair Australia operated flights.
- (3) ASKs means total number of seats available for passengers multiplied by the number of kilometres flown on Virgin Australia or Tigerair operated flights.
- (4) Tigerair operating statistics are provided for prior comparative purposes only and include statistics prior to the consolidation date of 17 October 2014.
- (5) Available Seats means the total number of seats available for passengers.
- (6) Revenue Load Factor means RPKs as a percentage of ASKs. For Virgin Australia International and Total Network, Revenue Load Factor metrics include ASK and RPK data on our revenue-share routes with International Alliance Partners Air New Zealand and Delta Air Lines.

Definitions

Underlying Profit Before Tax: is a non-statutory measure that represents statutory profit / loss before tax excluding the impact of restructuring and transaction costs (as defined below), share of equity accounted losses (as defined below) and the impact of hedging and financial instruments (as defined below). This is a measure used by Management and VAH's Board to assess the financial performance of VAH.

Restructuring and transaction costs: is a non-statutory measure that includes business and capital restructure and transaction costs.

Share of equity accounted losses: is a non-statutory measure representing the share of equity accounted profits / (losses) from Virgin Samoa Limited. For the prior comparative period this amount included the results of Tiger Airways Australia Pty Limited and Virgin Samoa Limited.

Hedging and financial instruments: is a non-statutory measure that includes the following items: Unrealised ineffectiveness on cash flow hedges and non-designated derivatives and time value movements on cash flow hedges.

Group yield: is a non-statutory measure derived from total consolidated revenues divided by the total Revenue Passenger Kilometres of all Regular Passenger Transport businesses.

Domestic Yield: is a non-statutory measure derived from Virgin Australia domestic segment revenues divided by Revenue Passenger Kilometres of the Virgin Australia domestic segment regular passenger transport business.

Underlying Group CASK excluding fuel and foreign exchange: is a non-statutory measure derived from consolidated revenue less consolidated EBIT (as defined below) excluding fuel, hedging gains / (losses) on fuel and foreign exchange gains / (losses) on non-fuel costs divided by Available Seat Kilometres of the Regular Passenger Transport business including Available Seat Kilometres of Tiger Airways Australia Pty Limited. In the prior comparative period, the results of Tiger Airways Australia Pty Limited were not included.

Return on invested capital (ROIC) EBIT: is a non-statutory measure derived from Earnings Before Interest & Tax, adding back rentals on aircraft operating leases, and adjusting for notional depreciation on the capitalised value of aircraft leases (7 times annual operating lease cost), or approximately 4% pa. This metric provides an indication of underlying earnings (as defined above) assuming all aircraft were owned by VAH.

Invested capital: is a non-statutory measure which provides an indication as to the invested capital within the Group. It is derived from adding average adjusted net debt and total equity as reported in the consolidated statement of financial position.

Return on invested capital: is a non-statutory measure and is defined as ROIC EBIT/ Invested Capital (as defined above) and represents a measure of the Group's Underlying Profit (as defined above) as a percentage of Invested capital (as defined above).

Cost of capital / WACC: is a non-statutory measure that estimates the pre-tax weighted average cost of capital (WACC) for VAH, using an estimated 60 to 40 debt to equity split. VAH estimates its cost of capital as 10% for the 2016 financial year (2015 10%).

Earnings Before Interest & Tax (EBIT): is a non-statutory measure and is used by Management and VAH's Board as a measure to assess the financial performance of VAH. It is defined as Underlying Profit Before Tax (as defined above) with the addition of net interest expense.

Forward Looking Statements: This presentation contains certain forward looking statements. Forward looking statements can generally be identified by the use of words such as 'project', 'believe', 'foresee', 'plan', 'expect', 'aim', 'potential', 'goal', 'target', 'intend', 'anticipate', 'believe', 'estimate', 'may', 'could', 'should', 'will' or similar expressions. Indications of, and guidance on, future earnings and financial position and performance are also forward looking statements. Forward looking statements, opinions and estimates provided in this presentation involve a number of risks, assumptions and contingencies, many of which are beyond the Virgin Australia Group's control and which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. It is believed that the expectations reflected in these forward looking statements, opinions and estimates are reasonable, but there can be no assurance that actual outcomes will not differ materially from these statements. Such forward looking statements, opinions and estimates are provided as a general guide only, should not be relied on as an indication or guarantee of future performance and speak only as of the date of this announcement. You should not place undue reliance on forward looking statements.

No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness, likelihood of achievement or reasonableness of any of the information, forward looking statements, opinions and estimates contained in this presentation. To the maximum extent permitted by law, none of the Virgin Australia Group, its directors, employees or agents, nor any other person accepts any liability for any loss arising from the use of the information contained in this presentation. Except as required by law and ASX Listing Rules, the Virgin Australia Group has no obligation to update publicly or otherwise revise any forward looking statement, opinion or estimate as a result of new information, future events or other factors.

Nothing contained in this presentation constitutes investment, legal, tax or other advice. You should make your own assessment and take independent professional advice in relation to the information contained in this presentation and any action taken on the basis of that information.

Media Contact: Emma King: +61 421 702 193 or Danielle Keighery: +61 400 223 136

Investor Contact: Russell Shaw: + 61 2 8093 7144